

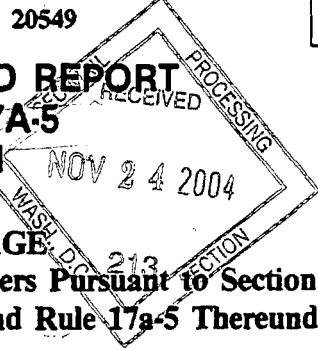
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**



OMB APPROVAL
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**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 10/01/2003 AND ENDING 09/30/2004
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Morrison Investments, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

620 W. Roosevelt Rd. Suite C2

(No. and Street)

Wheaton

IL

60187

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Thomas A. Morrison

630-752-1155

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Slupik & Associates, Ltd. Certified Public Accountants

(Name — if individual, state last, first, middle name)

1700 Park Street, Suite 202

Naperville

IL

60563

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

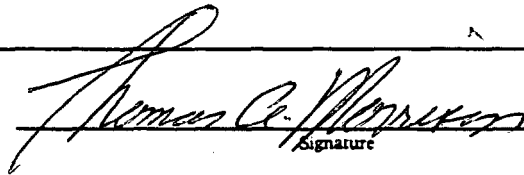
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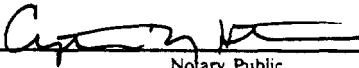
OATH OR AFFIRMATION

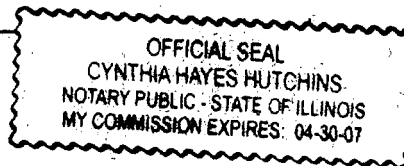
I, Thomas A. Morrison, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Morrison Investments, Inc., as of September 30, 2004, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:


Signature

Principal

Title


Notary Public



This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

MORRISON INVESTMENTS, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

SLUPIK AND ASSOCIATES, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

MORRISON INVESTMENTS, INC.

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SLUPIK AND ASSOCIATES, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

1700 PARK STREET, SUITE 202, NAPERVILLE, IL 60563
PHONE (630) 357-0096 FAX (630) 357-0592

Independent Auditor's Report

The Board of Directors
MORRISON INVESTMENTS, INC.
Wheaton, Illinois

We have audited the accompanying statement of financial position of Morrison Investments, Inc. (an Illinois Corporation) as of September 30, 2004, and the related statements of income, changes in stockholder's equity, changes in liabilities subordinated to claims of general creditors and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Morrison Investments, Inc. as of September 30, 2004 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 10 - 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

November 3, 2004

Slupik and Associates, Ltd.

MORRISON INVESTMENTS, INC.

STATEMENT OF FINANCIAL CONDITION SEPTEMBER 30, 2004

ASSETS	Allowable	Non-allowable	Total
Current Assets			
Cash and cash equivalents	\$ 21,683	\$ -	\$ 21,683
Securities owned: (Note 2)			
Marketable, at market value	29,816	-	29,816
Not readily marketable, at cost	-	1,650	1,650
Accounts receivable	18,796	-	18,796
Refundable income taxes (Note 3)	-	401	401
Total Current Assets	70,295	2,051	72,346
Other Assets			
Deposits	-	2,842	2,842
Total Other Assets	-	2,842	2,842
TOTAL ASSETS	\$ 70,295	\$ 4,893	\$ 75,188

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities	
Accounts payable	\$ 3,087
Accrued income taxes (Note 3)	-
Total Current Liabilities	3,087
Total Liabilities	3,087
Stockholder's Equity	
Capital stock	
No par value; at stated value:	
Authorized - 1,000 shares,	
issued and outstanding 1,000 shares	10,000
Paid in capital	3,955
Retained earnings	58,146
Total Stockholder's Equity	72,101
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 75,188

MORRISON INVESTMENTS, INC.

STATEMENT OF INCOME YEAR ENDED SEPTEMBER 30, 2004

Revenues

Commissions	\$ 182,880
Trading and monitoring fee income	238,315
Interest, dividends & capital gains/(losses)	(441)
Unrealized gain on firm securities investment account	3,996
Other income	<u>2,702</u>
Total revenues	<u>427,452</u>

Expenses

Regulatory fees and expenses	2,095
Other operating expenses:	
General and administrative costs	347,930
Officer salaries	48,000
Profit sharing expense	9,600
Signature guarantee expense	395
Professional fees	1,750
Insurance	150
Other	<u>100</u>
Total expenses	<u>410,020</u>

Income before income taxes 17,432

Income tax expense (benefit) (Note 3) 113

Net Income \$ 17,319

MORRISON INVESTMENTS, INC.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY YEAR ENDED SEPTEMBER 30, 2004

Beginning balance, October 1, 2003	\$ 54,782
Net income for the year	17,319
Distributions to stockholder	<u>-</u>
Ending balance, September 30, 2004	<u><u>\$ 72,101</u></u>

STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS YEAR ENDED SEPTEMBER 30, 2004

Balance, September 30, 2003	\$ -
Increase	-
Decrease	<u>-</u>
Balance, September 30, 2004	<u><u>\$ -</u></u>

MORRISON INVESTMENTS, INC.

STATEMENT OF CASH FLOWS YEAR ENDED SEPTEMBER 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$ 17,319
Adjustments to reconcile net income to cash provided by operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	(5,616)
Investments	(3,548)
Refundable income taxes	(14)
Other assets	-
Accounts payable	(1,275)
Accrued income taxes	-
Total adjustments	(10,453)

NET CASH PROVIDED BY OPERATING ACTIVITIES

6,866

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investments	-
Purchase of investments	-

NET CASH PROVIDED BY INVESTING ACTIVITIES

-

CASH FLOWS FROM FINANCING ACTIVITIES

Distributions to stockholder	-
------------------------------	---

NET CASH PROVIDED BY FINANCING ACTIVITIES

-

INCREASE IN CASH AND CASH EQUIVALENTS

6,866

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

14,817

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 21,683

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:

Interest	-
Income taxes	\$ 500

MORRISON INVESTMENTS, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Business

Morrison Investments, Inc. was incorporated in the State of Illinois in August, 1990. The Company is registered as a broker dealer and provides various financial services commensurate therewith. As a broker dealer, the Company is subject to the minimum net capital requirements of Rule 15c3-1 of the Securities and Exchange Commission and is exempt from Rule 15c3-3.

Cash and Cash Equivalents

The Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenue and expenses. Actual results could vary from the estimates that were used.

Concentration of Credit Risk

The Company places its cash equivalents with high credit quality financial institutions, which are federally insured up to prescribed limits. However, the amount of cash equivalents at any one institution at any given time may exceed these limits. Cash in banks, based on bank balances at September 30, 2004, did not exceed federally insured prescribed limits.

Accrual Basis

The accompanying statement of financial condition has been prepared on the accrual basis.

Investments

In accordance with specialized industry practices, unrealized gains and losses are recognized on the investments held by the Company.

NOTE 2 - INVESTMENTS

At September 30, 2004, the mutual fund investments held had a market value of \$29,816, which represents an increase of \$4,373 from the prior year after accounting for unrealized capital gains and for reinvested dividends. NASDAQ stock warrants are recorded at cost because the exercise price of the warrant is greater than the market value of the stock and no market currently exists for the warrants. One fourth of the cost, of the warrants which had expired, was written off during the year resulting in a loss of \$825.

Following is a summary of investments at September 30, 2004:

Mutual Funds		\$ 29,816
NASDAQ	Stock	1,650
Warrants		
		<hr/>
		\$ 31,466

MORRISON INVESTMENTS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2004

NOTE 3 - INCOME TAXES

In accordance with an election under Subchapter S of the Internal Revenue Code, the income for tax purposes is separately reportable on the individual income tax return of the Company's sole shareholder. Therefore, no provision for federal income taxes is reflected in these financial statements. A refund for state income taxes, where the Subchapter S election does not apply, has been made due to payment in excess of the amount owed. For federal income tax purposes, had the Company been a regular C Corporation, a federal statutory provision of \$1,119 would have been recorded.

NOTE 4 - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). The Company had net capital of \$62,736 which was \$57,736 in excess of its required net capital of \$5,000. The Company's net capital ratio was .05 to 1.

NOTE 5 - RELATED PARTY

The Company shares office and administrative costs with a related party company known as Morrison Financial Services, Ltd. ("MFS"). The Company is obligated to pay a minimum of \$216,000 annually to MFS. An additional amount is payable quarterly to offset any net loss MFS may incur. The Company's share of the general and administrative costs was \$347,930 and its share of salaries was \$48,000 in the current fiscal year. MFS also maintains a profit sharing plan. The Company owed MFS \$1,316 at September 30, 2004.

The Company revised its agreement effective October, 2003 to be in compliance with SEC Rules 15c-3-1, 17a-3, 17a-4, and 17a-5 regarding the treatment of broker/dealer expenses and liabilities. Morrison Investments, Inc. is not responsible for any expense reimbursement that would cause its Net Capital to fall below \$10,000.

SUPPLEMENTARY INFORMATION

MORRISON INVESTMENTS, INC.

COMPUTATION OF NET CAPITAL SEPTEMBER 30, 2004

Total ownership equity from statement of financial condition	\$ 72,101
Deduct ownership equity not allowable for net capital	<u>-</u>
Total ownership equity qualified for net capital	72,101
Add liabilities subordinated to claims of general creditors allowable in computation of net capital and other allowable credits	<u>-</u>
Total capital and allowable subordinated liabilities	72,101
Deduct nonallowable assets from statement of financial condition	<u>4,893</u>
Net capital before haircuts on securities positions	67,208
Haircuts on securities	<u>4,472</u>
Net capital	<u><u>\$ 62,736</u></u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT SEPTEMBER 30, 2004

Minimum net capital required (6 2/3% of aggregate indebtedness)	<u><u>\$ 206</u></u>
Minimum dollar net capital requirement	<u><u>\$ 5,000</u></u>
Net capital requirement	<u><u>\$ 5,000</u></u>
Excess net capital	<u><u>\$ 57,736</u></u>
Excess net capital at 1000%	<u><u>\$ 62,427</u></u>

COMPUTATION OF AGGREGATE INDEBTEDNESS SEPTEMBER 30, 2004

Total aggregate indebtedness	<u><u>\$ 3,087</u></u>
Percentage of aggregate indebtedness to net capital	<u><u>4.92%</u></u>

MORRISON INVESTMENTS, INC.

**EXEMPTIVE PROVISION UNDER RULE 15c3-3
SEPTEMBER 30, 2004**

Morrison Investments, Inc., because of the limited nature of its operations, which places the corporation in the \$5,000 capital category as per Rule 15c3-1, is exempt from Rule 15c3-3. The corporation has limited its activities to the representation of mutual funds, variable annuities, and limited partnerships. Individual securities will not be represented and the corporation does not hold funds or securities for, or owe money or securities to customers.

In our opinion, the conditions of the corporation's exemption were being complied with as of the audit date. No facts came to our attention to indicate that the exemption has not been complied with.

**SUPPLEMENTAL REPORT
SEPTEMBER 30, 2004**

Our audit for the year ended September 30, 2004 did not disclose any material inadequacies existing.

**SUPPLEMENTAL REPORT
SEPTEMBER 30, 2004**

Our audit for the year ended September 30, 2004 found a difference between the Audited Computation on Net Capital and the broker/dealer's corresponding initial computation of Net Capital. The Receivable from investment companies should have been reported as \$18,796 but were reported as \$6,000, a difference of \$12,796. Thus, the net capital as initially computed by the broker/dealer was understated.

The Company was advised by NASD that the Company's expense sharing agreement with the related party required a formal written expense sharing document. The Company has completed a signed agreement and submitted it to NASD.